



County of Los Angeles
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DAVID E. JANSSEN
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

June 13, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

SACRAMENTO UPDATE

Medi-Cal Hospital Financing

On Friday, June 10, 2005, the Urban Counties Caucus (UCC) sent the attached letter to Governor Schwarzenegger regarding the State's Medi-Cal Hospital Financing waiver in negotiation with the Federal government. Among UCC's concerns are whether there is sufficient growth in revenues available to public hospitals, whether a portion of funding is linked to a requirement to expand Medi-Cal managed care, and that counties must be held harmless, fiscally. The letter concludes that without assurances that its concerns will be addressed, UCC must oppose the waiver.

Budget Conference Committee Action

On Friday, June 10, 2005, the Budget Conference Committee completed action on the State Budget, and both Houses are now expected to vote on the complete Conference Committee Budget Report on Wednesday, June 15, 2005. Assembly Speaker Fabian Núñez and Senate Pro Tem Don Perata held a press conference immediately after to communicate the completion of the Committee's work and explain that the Budget was "on-time, on-target", balanced without new taxes, and included an additional \$800 million K-14 education spending as compared to the Governor's May Revise.

The Speaker and the Pro Tem also explained that the adopted Conference Committee Budget Report was very similar to the Governor's May Revision, and they pointed out that this Budget is proof that they can work together on a bipartisan basis, and that they were receptive and waiting to work with the Governor. They stressed that "80 percent of the issues were adopted on a bipartisan vote," and emphasized that the Budget had no new taxes, unanticipated federal revenue, and no "funny money."

Highlights of Actions of Interest to the County

Vehicle License Fee (VLF) Gap Loan. The May Revision proposed to allocate \$593 million for the early repayment of half of the VLF Gap Loan owed to local governments. The Committee acted to reject the Governor's proposal, and instead adopted language to make available \$25 million for cities and counties on a hardship basis.

AB 3632 Mandate. The May Revision proposed to repeal the mandate on counties and allocated an additional \$90 million to fund prior year mandate claims. The Committee voted to retain the mandate with counties, and increased the amount for prior year claims to \$120 million to be allocated in FY 2004-05 and FY 2005-06.

Undesignated Trial Court Fees. The January Budget proposed the continuation of the \$31 million transfer of undesignated trial court fee revenue from counties to the State Court system. The estimated impact to the County was approximately \$9.8 million. The Conference Committee acted to adopt a proposal negotiated by the California State Association of Counties and the Administrative Office of the Courts that would reduce the counties' contribution to \$20 million in the budget year, and decrease it by \$5 million per year until there is no obligation. In addition, the Committee voted not to transfer the \$5.5 million cost of forensic evaluations to counties.

Trauma Care Fund. The Conference Committee acted to adopt the County-supported Assembly recommendation for a \$10 million augmentation to the State's Trauma Care Fund.

Probation Funding. The Conferees acted to approve the use of \$201.4 million from the General Fund for county probation in lieu of allocating TANF funds.

Election Mandates. The Conference Committee voted to appropriate \$14.4 million in FY 2004-05 and \$10.8 million in the budget year for the Absentee Ballot and Permanent Ballot mandates. The Conferees appropriated only \$1,000 for the Voter Registration Mandate.

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Police Officer Bill of Rights (POBOR) Mandate. The Conference Committee rejected the Senate recommendation to appropriate \$18.1 million from the General Fund to reimburse local governments for their cost of the Police Officer Bill of Rights mandate.

We will continue to keep you advised.

DEJ:GK
DW:MAL:JF:MR:ib

Attachment

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants

URBAN COUNTIES CAUCUS

Chair
Supervisor Rich Gordon
Executive Director
Casey Sparks Kaneko

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June 10, 2005

The Honorable Arnold Schwarzenegger
Governor
State of California
State Capitol Building
Sacramento, California 95814

Dear Governor Schwarzenegger,

On behalf of the Urban Counties Caucus, a coalition of California's largest counties, I am writing to thank you for meeting with some of our Board Members on Wednesday to discuss the Medicaid hospital financing waiver and also to advise you of our continuing concerns with this proposal.

We appreciate the efforts that you and your staff have made to bring additional federal health care dollars into California. We realize that this has been a challenge. However, our counties believe that the current waiver proposal threatens the survival of our county hospitals.

During our discussion with you we outlined three concerns that must be addressed in order for us to not oppose the waiver:

The contingencies must be removed from the \$180 million.

Of the proposed new funds, \$180 million are contingent upon a state expansion of managed care both to new counties and to the aged, blind, and disabled. These funds are also linked to California's extending health care coverage to those who are currently uninsured. We are concerned about whether these goals are achievable, particularly in the time allowed and with the funds allotted. This linkage therefore puts the \$180 million at risk.

The waiver must contain growth for public hospitals after the first year.

The waiver does not contain growth for counties after the first year. Given the rapidly escalating costs of health care, no growth is the equivalent of a cut. At least eight or nine percent growth will be needed just to stay even.

Counties must be held harmless.

Counties are concerned that the funds in the waiver will not be accessible to some or all of our counties, resulting in a situation of counties having even less funding than they currently do. If the waiver is signed and puts counties in a negative fiscal situation, the State must be committed to backfill counties for the loss.

Without your assurance that these points will be addressed, the Urban Counties Caucus must oppose this waiver.

Board of Directors: Chair: Supervisor Rich Gordon, San Mateo County Vice Chair: Supervisor John Tavaglione, Riverside County Treasurer: John Guthrie, Finance Director, Santa Clara County **Members:** Supervisor Keith Carson, Alameda County; Supervisor John Gioia, Contra Costa County; Supervisor Don Knabe, Los Angeles County; Supervisor Tom Wilson, Orange County; Supervisor Roger Dickinson, Sacramento County; Supervisor Paul Biane, San Bernardino County; Supervisor Greg Cox, San Diego County; Supervisor Chris Daly, San Francisco County; Supervisor James Beall, Jr., Santa Clara County; Supervisor Kathy Long, Ventura County.

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Your Administration has included in its stated goals for the Medi-Cal Redesign improving the stability of financing for the safety net and providing opportunities for growth in federal funds. We share these objectives. However, we feel that the waiver as drafted does not achieve them and puts our local public hospitals at risk. We look forward to working with you to remedy this situation.

Thank you for your consideration. We look forward to your response.

Sincerely,

Rich Gordon
Chairman